



March 11, 2015

Item No. 10

REQUEST FOR AUTHORIZATION FOR THE ISSUANCE AND SALE OF A MULTIFAMILY HOUSING REVENUE NOTE, 2015 SERIES A (STERLING PARK APARTMENTS) OF THE CHICAGO HOUSING AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$30,000,000; AUTHORIZING THE EXECUTION AND DELIVERY OF ALL NOTE DOCUMENTS IN CONNECTION WITH THE ISSUANCE AND SALE OF THE NOTE; AND AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF ALL AGREEMENTS AND ACTIONS CONTEMPLATED IN CONNECTION THEREWITH

To the Honorable Board of Commissioners

RECOMMENDATION

It is recommended that the Board of Commissioners of the Chicago Housing Authority ("CHA") approve the attached Resolution authorizing CHA to (1) Issue and Sell a Multifamily Housing Revenue Note, 2015 Series A (Sterling Park Apartments) (hereinafter referred to as the "Note") in an aggregate principal amount not to exceed \$30,000,000; (2) Execute and deliver all Note documents in connection with the issuance and sale of the Note; and 3) Authorize the Chief Executive Officer or his designee to execute and deliver such other documents and perform such actions as are necessary and contemplated by the foregoing, in connection with the Sterling Park Apartments development transaction.

FUNDING

Not Applicable

A separate Board Resolution for Sterling Park Apartments was approved in January 2015 to: 1) Submit the Development Proposal and Evidentiary documents to The United States Department of Housing and Urban Development ("HUD"), 2) Commit CHA Funds not to exceed \$19,814,758 for New Sterling Park LLC or a related entity; and 3) Approve a Tenant Selection Plan, Lease, and Lease Riders for the Development to be known as "Sterling Park Apartments", and amend the CHA Admissions and Continued Occupancy Policy to incorporate such documents as an Addendum thereto. This Board item is solely related to the Chicago Housing Authority's issuance of a tax-exempt Multifamily Housing Revenue Note in the aggregate principal amount not to exceed \$30,000,000 associated with this transaction.

In October 2014, the City of Chicago passed an Ordinance approving the reallocation of unused tax-exempt multifamily housing revenue bond volume cap to the CHA in an amount not to exceed \$30,000,000 to finance a portion of the development costs related to the "Sterling Park Apartments".

INFORMATION RELATING TO THE NOTE ISSUE

Maximum Principal Amount:	\$30,000,000
Interest:	The Series 2015A Note will bear interest at a rate not to exceed the lesser of (i) 10% per annum and (ii) the maximum interest rate that may be paid on the Series 2015A Note under State law.
Note Purchaser/Lender:	Citibank, N.A. (or affiliated entity)
Maturity Date:	2015 Series A Note- not to exceed 35 years
Purpose:	To finance the construction, rehabilitation and equipping of 181 affordable rental units (including 66 public housing units) for residents of Sterling Park Apartments located at 3301 W. Arthington, Chicago, IL.
Primary Security for Note:	2015 Series A— First lien on land and any improvements, UCC filings for fixtures; assignment of all leases and rents; and, a first priority collateral assignment of all contracts, management agreement, and other agreements and all permits relating to the Property, and. any other security as may be required by Note Purchaser/Lender.
Borrower(s)	New Sterling Park LLC
Funding Lender:	Citibank, N.A., (or affiliated entity)
Note Issuance Counsel:	Kutak Rock LLP
Fiscal Agent:	U.S. Bank National Association

Sterling Park Apartments (hereafter referred to as “Sterling Park”), located at 3301 W. Arthington, is an adaptive re-use of a vacant, four and six-story masonry, historic industrial office and research facility in the Homan Square neighborhood on the West Side of Chicago. The Sterling Park property, formerly owned by the Sears and Roebuck Company, is bounded by W. Arthington Street on the North, S. Spaulding Avenue on the East, Sears/Homan Square buildings on the West and the train trestle on the South. Sterling Park is being developed by Mercy Housing Lakefront in partnership with Boulevard Group Inc., both pre-approved development teams under the CHA’s Housing for Chicagoans Everywhere (HCE) Program. New Sterling Park LLC will be the Owner Entity and Borrower.

Sterling Park will provide a total of 181 units with a mix of one to four bedroom apartments. The building is configured in two wings, one of six stories and one of four stories with on-site parking and outdoor courtyard and play space. The first floor of the building will also provide 1,890 sq. ft. of management/residential services office space, a new computer lab and fitness room for the exclusive use of residents as well as a community room for meetings and special events.

All 181 units will be Low Income Housing Tax Credit (LIHTC) units, with 66 of those units set aside for public housing eligible families with ACC operating subsidy being provided by CHA. All public housing units will be distributed throughout the building.

The projected direct costs for the 181 total rental units in the Sterling Park development total \$54,889,367 and include the approximate \$19,715,758 CHA loan. CHA will issue a tax-exempt Multifamily Housing Revenue Note (the "Note") in an amount not to exceed an amount of \$30,000,000 which will generate 4% Low Income Tax Credits. Citibank, N.A. will purchase the Note and loan the funds on behalf of CHA and pursuant to a Funding Loan Agreement among the Authority, as Governmental Lender, Citibank, N.A., as Funding Lender, and U.S. Bank National Association, as fiscal agent. The proceeds of the Note will be used by the Authority to make a loan to New Sterling Park LLC (the "Borrower") pursuant to a Borrower Loan Agreement between the Authority and the Borrower. Upon construction completion, lease-up and stabilization, LIHTC and Historic Tax Credit equity will be used to partially redeem the Note down to a projected permanent loan amount not greater \$4,025,000.

The Authority will provide permanent financing through its loan of capital or other funds in return for the agreement of the Borrower to rent 66 units at the site to public housing eligible tenants. The Note will be a special limited obligation payable solely from the sources set forth in the Funding Loan Agreement and does not constitute an indebtedness, liability, general or moral obligation, or a pledge or loan of credit, of the Authority, the City of Chicago, the State of Illinois or any political subdivision of the State of Illinois.

RESOLUTION NO. 2015-CHA-25

RESOLUTION PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$30,000,000 AGGREGATE PRINCIPAL AMOUNT OF MULTIFAMILY HOUSING REVENUE NOTE, 2015 SERIES A (STERLING PARK APARTMENTS) OF THE CHICAGO HOUSING AUTHORITY AND AUTHORIZING THE SALE THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF ALL NOTE DOCUMENTS IN CONNECTION WITH THE ISSUANCE AND SALE OF THE NOTE; AND AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF ALL AGREEMENTS IN CONNECTION THEREWITH; AND RELATED MATTERS.

WHEREAS, the Chicago Housing Authority, a municipal corporation and body politic and corporate duly organized and validly existing under and by virtue of the laws of the State of Illinois (the “Authority” or “CHA”), including without limitation the Housing Authorities Act, 310 ILCS 10/1 *et seq.*, and all laws amendatory and supplemental thereto, including in particular the Local Government Debt Reform Act, 30 ILCS 350/1 *et seq.* (the “Act”), is authorized by the laws of the State of Illinois (the “State”), including without limitation the Act, to issue its revenue notes and bonds for the purposes set forth in the Act and to permit the expenditure of the proceeds thereof to finance the cost of the development and construction of multifamily rental housing located in the jurisdiction of the Authority; and

WHEREAS, New Sterling Park LLC, an Illinois limited liability company (the “Borrower”), proposes to finance a portion of the costs of the acquisition, construction, rehabilitation and equipping of Sterling Park Apartments consisting of 181 apartment units in one building at 3301 West Arthington Street, Chicago, Illinois (the “Project”) through the issuance by the Authority of its Multifamily Housing Revenue Note, 2015 Series A (Sterling Park Apartments) (the “Note”); and

WHEREAS, the managing member of the Borrower is New Sterling Park MM LLC, an Illinois limited liability company; and

WHEREAS, a determination has been made by the Authority that the Project constitutes “multifamily rental housing” within the meaning of the Act and that the financing thereof will meet the public purposes of the Act; and

WHEREAS, pursuant to and in accordance with the provisions of the Act, the Authority is now prepared to proceed with the financing of a portion of the costs of the Project through the issuance and sale of the Note, pursuant to a Funding Loan Agreement (the “Funding Loan Agreement”) among the Authority, Citibank, N.A., as funding lender (the “Funding Lender”), and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”); and

WHEREAS, the proceeds of the Note will be loaned by the Authority to the Borrower pursuant to a Borrower Loan Agreement (the “Borrower Loan Agreement”) between the Authority and the Borrower and agreed to by the Funding Lender, and the obligation of the Borrower to pay debt service under the Borrower Loan Agreement will be evidenced by a Borrower Note (the “Borrower Note”) from the Borrower to the Authority which will be assigned by the Authority to the Funding Lender; and

WHEREAS, certain income and other rental restrictions required by Section 142 of the Internal Revenue Code of 1986 (the “Code”) will be specified in a Tax Regulatory Agreement among the Authority, the Borrower and the Fiscal Agent (the “Tax Regulatory Agreement”); and

WHEREAS, certain arbitrage requirements of Section 148 and related provisions of the Code will be specified in a Tax Compliance Agreement (the “Tax Compliance Agreement”) between the Authority and the Borrower; and

WHEREAS, the Note will be acquired by the Funding Lender; and

WHEREAS, the Borrower’s obligations under the Borrower Note and a mortgage securing the Borrower Note will be assigned by the Authority to the Funding Lender pursuant to an Assignment of Mortgage and Loan Documents from the Authority to the Funding Lender, and the Borrower’s obligations under the Borrower Loan Agreement will be assigned by the Authority to the Funding Lender pursuant to the Funding Loan Agreement; and

WHEREAS, the Borrower will be required to operate sixty-six (66) housing units within the Project for the use and occupancy of public housing eligible families and individuals and, in connection therewith, the Authority will enter into a Regulatory and Operating Agreement (the “R&O Agreement”) with the Borrower and a Declaration of Restrictive Covenants (the “Declaration”) with the Borrower and with HUD; and

WHEREAS, other sources of funding for costs of the Project will be provided by (a) Citibank first mortgage permanent loan in the approximate amount of \$4,025,000 (resulting from a prepayment of the Note in part with the LIHTC and Historic Tax Credit equity proceeds); (b) an Authority second mortgage loan in the approximate amount of \$19,715,718; (c) a sponsor loan in third position from the proceeds of an Illinois Department of Commerce and Economic Opportunity grant in the approximate amount of \$673,765; (d) a sponsor loan in the fourth position from the proceeds of an FHLB of Chicago Affordable Housing Program grant in the approximate amount of \$850,000; (e) seller financing from Sterling Park Development, LLC in the form of a fifth mortgage loan in the approximate amount of \$521,093; (f) a Citibank sixth mortgage loan in the approximate amount of \$750,000; (g) LIHTC and Historic Tax Credit equity contributions from the Investor Member in the approximate amount of \$26,680,661; and (h) Deferred Developer fee in the approximate amount of \$1,905,743; and

WHEREAS, the proceeds of the Note and the other funding sources will be disbursed pursuant to a Construction Loan Escrow and Disbursement Agreement (the “Disbursement Agreement”) among, *inter alia*, the Authority, the escrow agent and the senior lender; and

WHEREAS, notice of a public hearing with respect to the proposed issuance of the Note was published in the *Chicago Tribune*; and

WHEREAS, said public hearing was conducted on behalf of the Authority pursuant to which an opportunity was provided for residents and other interested persons to present arguments for and against the Project and the proposed issuance of the Note; and

WHEREAS, the Authority reasonably expects (based upon information supplied by the Borrower, upon which it is reasonable and prudent for the Authority to rely) to reimburse the Borrower for certain expenditures relating to the Project with proceeds of the Note; and

WHEREAS, the City Council of the City has approved or will approve the transfer to the Authority of up to \$30,000,000 of the City’s available unused volume cap for calendar year 2015

pursuant to Section 146 of the Code for use by the Authority in connection with the issuance of the Note; and

WHEREAS, the Note, the Funding Loan Agreement, the Borrower Loan Agreement, the Borrower Note, the Tax Regulatory Agreement and the Tax Compliance Agreement are referred to collectively herein as the "Authority Agreements"; and

WHEREAS, the Authority has caused to be prepared and presented to this meeting drafts of each of the Authority Agreements;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE CHICAGO HOUSING AUTHORITY:

The Authority is authorized to enter into the Authority Agreements with the other party or parties thereto in substantially the same forms now before the Authority. The forms, terms and provisions of the Authority Agreements be, and they hereby are, in all respects approved. The Chairman, the Chief Executive Officer or the Chief Financial Officer of the Authority be, and each of them hereby is, authorized, empowered and directed to execute and deliver, and, where necessary, the Executive Advisor to the Board, the Chief Executive Officer, the Secretary or any Assistant Secretary of the Authority be and each of them hereby is, authorized, empowered and directed to attest and to affix the official seal of the Authority to, the Authority Agreements in the name, for and on behalf of the Authority, and thereupon to cause the Authority Agreements to be executed, acknowledged and delivered to the other party or parties thereto, in substantially the forms now before the Authority or with such changes therein as the individual executing the Authority Agreements on behalf of the Authority shall approve, his or her execution thereof to constitute conclusive evidence of such approval of any and all changes or revisions therein from the forms of Authority Agreements now before the Authority. When the Authority Agreements are executed, attested, sealed and delivered on behalf of the Authority as hereinabove provided, they shall be binding on the Authority. From and after the execution and delivery of the Authority Agreements, the officers, employees and agents of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Authority Agreements as executed. The Authority Agreements shall constitute, and hereby are made, a part of this Resolution, and copies of the Authority Agreements shall be placed in the official records of the Authority, and shall be available for public inspection at the office of the Authority.

The Note shall be issued in fully registered form, in an aggregate principal amount not to exceed \$30,000,000, as provided in the Funding Loan Agreement. The Note shall bear interest at such rate or rates as shall be set forth in the Note and the Funding Loan Agreement, in no event to exceed the lesser of (i) 10% per annum and (ii) the maximum interest rate that may be paid on the Note under State law. The Note shall mature on such date or dates as shall be set forth in the Funding Loan Agreement, but in no event later than 35 years following the date of its initial issuance and delivery to the Funding Lender. The Note shall be subject to prepayment prior to maturity as provided in the Funding Loan Agreement. The designation of the Note may be modified as necessary to reflect the calendar year of its issuance.

The Note and the interest thereon will be a special, limited obligation of the Authority, payable solely from the payments to be made by the Borrower under the Borrower Loan Agreement or from the other sources specified or referred to in the Funding Loan Agreement, which shall be specifically assigned and pledged to such purposes in the manner and to the extent

provided therein. The Note and all other obligations of the Authority in connection therewith shall not be a debt of the Authority, the City or any other city, village, incorporated town or county, the State of Illinois or any political subdivision thereof and neither the City, nor any other city, village, incorporated town or county, nor the State of Illinois or any political subdivision thereof shall be liable thereon, nor in any event shall the Note or such obligations be payable out of any funds or properties other than those pledged under the Funding Loan Agreement and those other agreements specifically securing the Note. The Note shall not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The form of the Note set forth in the Funding Loan Agreement, subject to appropriate insertions and revisions in order to comply with the provisions of the Funding Loan Agreement (as executed and delivered) be, and the same hereby are approved. The Note shall be executed in the name, for and on behalf of the Authority with the manual or facsimile signature of its Chairman (or such other officer authorized by law to execute the Note on behalf of the Authority) and attested with the manual or facsimile signature of its Executive Advisor to the Board, Secretary or Assistant Secretary (or such other officer authorized by law to execute the Note on behalf of the Authority) and the seal of the Authority shall be impressed or imprinted thereon. The officers of the Authority shall cause the Note, as so executed and attested, to be delivered to the Fiscal Agent for authentication. When the Note shall be executed on behalf of the Authority in the manner contemplated by the Funding Loan Agreement and this Resolution, it shall represent the approved form of Note of the Authority.

The sale of the Note to the Funding Lender as described in the Funding Loan Agreement is hereby approved.

The Chairman, Chief Executive Officer, Chief Financial Officer, the Executive Advisor to the Board, the Custodian and Keeper of Records/Secretary and any Assistant Secretary of the Authority be, and each of them hereby is, authorized to execute and deliver such documents, certificates, and undertakings of the Authority and to take such other actions as may be required or desirable in connection with the execution, delivery and performance of the Authority Agreements, the financing of costs of the Project and the issuance, sale and delivery of the Note.

All acts of the officers, employees and agents of the Authority which are in conformity with the purposes and intent of this Resolution be, and the same hereby are, in all respects, ratified, approved and confirmed.

The Authority hereby directs that the Note shall not be issued unless and until the requirements of Section 147(f) of the Code, including particularly the notice and public hearing and approval requirements have been fully satisfied, and that no contract, agreement or commitment to issue the Note shall be executed or undertaken prior to satisfaction of the requirements of said Section 147(f) unless the performance of said contract, agreement or commitment is expressly conditioned upon the prior satisfaction of such requirements. All such actions taken prior to the adoption of this resolution are hereby ratified and confirmed.

The Authority hereby allocates to the Note the "volume cap" reallocated by the City to the Authority in an amount equal to the aggregate principal amount of the Note actually to be issued.

The Authority reasonably expects (based upon information supplied by the Borrower, upon which it is reasonable and prudent for the Authority to rely) to reimburse certain expenditures with proceeds of the Note.

The Note hereby authorized shall be executed as in this Resolution provided as soon after the delivery of the Funding Loan Notification, which shall be signed by one of the officers of the Authority identified in Section 6 and shall include the pertinent final details of the Note as provided herein (the "Notification"), occurs at the closing of the Note. An executed counterpart of the Notification shall be filed with the Custodian and Keeper of the Records of the Authority. The Notification shall be entered into the records of the Authority and made available to the Board of Commissioners at the next regular meeting thereof; but such action shall be for informational purposes only, and the Board of Commissioners shall have no right or authority at such time to approve or reject such sale of the Note as evidenced in the Notification.

The provisions of this Resolution are hereby declared to be separable and if any section, phrase or provision hereof shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions of this Resolution.

All resolutions and orders, or parts thereof in conflict herewith are hereby superseded to the extent of such conflict.

This Resolution shall be in full force and effect immediately upon its passage, as by law provided.

